

INCORPORATED VILLAGE OF BAYVILLE
FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
AS OF MAY 31, 2009
TOGETHER WITH AUDITORS' REPORTS

INCORPORATED VILLAGE OF BAYVILLE
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Nawrocki Smith LLP
CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITORS' REPORT ON FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

**To the Board of Trustees of the
Incorporated Village of Bayville:**

We have audited the accompanying financial statements of the Incorporated Village of Bayville (the "Village"), as of and for the year ended May 31, 2009, as listed in the table of contents. These financial statements are the responsibility of the Village's administration. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by the administration, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Incorporated Village of Bayville as of May 31, 2009, and the changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated September 4, 2009, on our consideration of the Village's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and important for assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information, as listed in the table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of the administration regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Incorporated Village of Bayville's basic financial statements. The accompanying supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Melville, New York
September 4, 2009

Nawrocki Smith LLP

INCORPORATED VILLAGE OF BAYVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED MAY 31, 2009

The following is a discussion and analysis of the Incorporated Village of Bayville's (the "Village") financial performance for the fiscal year ended May 31, 2009. The section is a summary of the Village's financial activities based on currently known facts, decisions or conditions. It is also based on both the Village-wide and fund-based financial statements. The results of the current year are discussed in comparison with the prior year, with an emphasis placed on the current year. This section is only an introduction and should be read in conjunction with the Village's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

- As of May 31, 2009, the Village had total assets of \$14,729,195, total liabilities of \$7,238,566 and net assets of \$7,490,629.
- Total revenues for the year ended May 31, 2009 were \$6,234,565 and total expenses were \$5,028,772 resulting in a excess of revenues over expenditures of \$1,205,793.
- As of May 31, 2009, the Village's General Fund had fund equity totaling \$120,177.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts: management's discussion and analysis (this section), the financial statements and required supplementary information. The financial statements include two kinds of statements that present different views of the Village:

- The first two statements are *Village-wide financial statements* that provide both *short-term* and *long-term* information about the Village's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the Village, reporting the Village's operations in *more detail* than the Village-wide statements.
- The *governmental funds statements* tell how programs were financed in the *short-term* as well as what remains for future spending.
- *Fiduciary funds statements* provide information about the financial relationships in which the Village acts solely as a *trustee* or *agent* for the benefit of others.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the Village's budget for the year.

Table A-1 summarizes the major features of the Village's financial statements, including the portion of the Village's activities they cover and the types of information they contain. The remainder of this overview section of Management's Discussion and Analysis highlights the structure and contents of each of the statements.

Table A-1: Major Features of the Village-Wide and Fund Financial Statements			
	Village-Wide Statements	Fund Financial Statements	
		Governmental Funds	Fiduciary Funds
Scope	Entire Village (except fiduciary funds)	The activities of the Village that are not proprietary or fiduciary	Instances in which the Village administers resources on behalf of someone else
Required financial statements	<ul style="list-style-type: none"> • Statement of Net Assets • Statement of Activities and Changes in Net Assets 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures and Changes in Fund Equity 	<ul style="list-style-type: none"> • Statement of Fiduciary Net Assets • Statement of Changes in Fiduciary Net Assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All additions and deductions during the year, regardless of when cash is received or paid

Village-Wide Statements

The Village-wide statements report information about the Village as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the Village's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two Village-wide statements report the Village's net assets and how they have changed. Net assets, the difference between the Village's assets and liabilities, is one way to measure the Village's financial health or *position*.

- Over time, increases or decreases in the Village's net assets are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the Village's overall health, you need to consider additional non-financial factors such as availability of state and federal funding and the condition of buildings and other facilities.

In the Village-wide financial statements, the Village's activities are shown as *governmental activities*; most of the Village's basic services are included here. Property taxes and charges for services finance most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the Village's funds, focusing on its most significant or "major" funds - not the Village as a whole. Funds are accounting devices the Village uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by State law and by bond covenants.
- The Village establishes other funds to control and to manage money for particular purposes or to show that it is properly using certain revenues (such as federal grants).

The Village has two kinds of funds:

- **Governmental funds:** Most of the Village's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Village's programs. Because this information does not encompass the additional long-term focus of the Village-wide statements, reconciliations of the Village-wide and governmental funds statements are provided which explain the relationship (or differences) between them.
- **Fiduciary funds:** The Village is the trustee or fiduciary, for assets that belong to others. The Village is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The Village excludes these activities from the Village-wide financial statements because it cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE VILLAGE AS A WHOLE

The Village's net assets increased by 19.2% from the year before to \$7,490,629 as detailed in Tables A-2 and A-3.

Table A- 2: Condensed Statements of Net Assets - Governmental Activities

	<u>5/31/08</u>	<u>5/31/09</u>	<u>% Change</u>
Current and other assets	\$ 2,181,761	\$ 1,978,716	(9.3)
Capital assets, net	<u>11,529,150</u>	<u>12,750,479</u>	10.6
Total assets	<u>\$ 13,710,911</u>	<u>\$ 14,729,195</u>	7.4
Current liabilities	\$ 1,948,225	\$ 2,043,345	4.9
Long-term liabilities	<u>5,477,850</u>	<u>5,195,221</u>	(5.2)
Total liabilities	<u>\$ 7,426,075</u>	<u>\$ 7,238,566</u>	(2.5)
Net assets:			
Investment in capital assets, net of related debt	\$ 5,549,948	\$ 7,185,890	29.5
Restricted	475,130	204,649	(56.9)
Unrestricted	<u>259,758</u>	<u>100,090</u>	(61.5)
Total net assets	<u>\$ 6,284,836</u>	<u>\$ 7,490,629</u>	19.2

Changes in Net Assets

The Village's fiscal year 2009 revenues totaled \$6,234,565, which is 11.8% higher than fiscal year 2008 (see Table A-3). Property taxes, other tax items and charges for services accounted for 77% of total revenues (see Table A-4). The remainder came from state sources, operating grants and other miscellaneous sources.

- Real property taxes increased by 7.6% as a result of an increase of Village-wide property values as calculated/assessed by Nassau County.
- Operating grants increased 208.1% as a result of the Village collecting funding under the CCAP grant which was sponsored by the New York State Dormitory Authority.

The Village's fiscal year 2009 expenses totaled \$5,028,772, which is 17.6% less than fiscal year 2008 (see Table A-3). These expenses (83%) are predominately related to general government support, public safety, culture and recreation and home and community services (see Table A-5).

- The most significant contributors to the reduction in expenses is prudent fiscal management by the Village Board and an awareness of today's fiscal climate. The Board has carefully monitored all expenses and has limited Personal Services overtime to an "as needed" in emergency situation basis.

Table A-3: Changes in Net Assets from Operating Results - Governmental Activities Only

	<u>5/31/08</u>	<u>5/31/09</u>	<u>% Change</u>
Revenues			
Program revenues:			
Charges for services	\$ 917,286	\$ 929,479	1.3
Operating grants	176,714	544,402	208.1
General revenues:			
Real property taxes	3,356,006	3,609,737	7.6
Other tax items	265,783	258,238	(2.8)
State sources	297,548	216,833	(27.1)
Use of money and property	426,164	390,219	(8.4)
Miscellaneous	<u>137,464</u>	<u>285,657</u>	107.8
Total revenues	<u>\$ 5,576,965</u>	<u>\$ 6,234,565</u>	11.8

Table A-3 (Continued)

	<u>5/31/08</u>	<u>5/31/09</u>	<u>% Change</u>
Expenses			
General government support	\$ 1,557,065	\$ 966,760	(37.9)
Public safety	886,978	868,933	(2.0)
Transportation	811,091	680,827	(16.1)
Culture and recreation	1,007,304	1,046,534	3.9
Home and community services	1,555,424	1,285,097	(17.4)
Debt service - interest	<u>281,909</u>	<u>180,621</u>	(35.9)
Total expenses	<u>6,099,771</u>	<u>5,028,772</u>	(17.6)
Increase (decrease) in net assets	<u>\$ (522,806)</u>	<u>\$ 1,205,793</u>	330.6

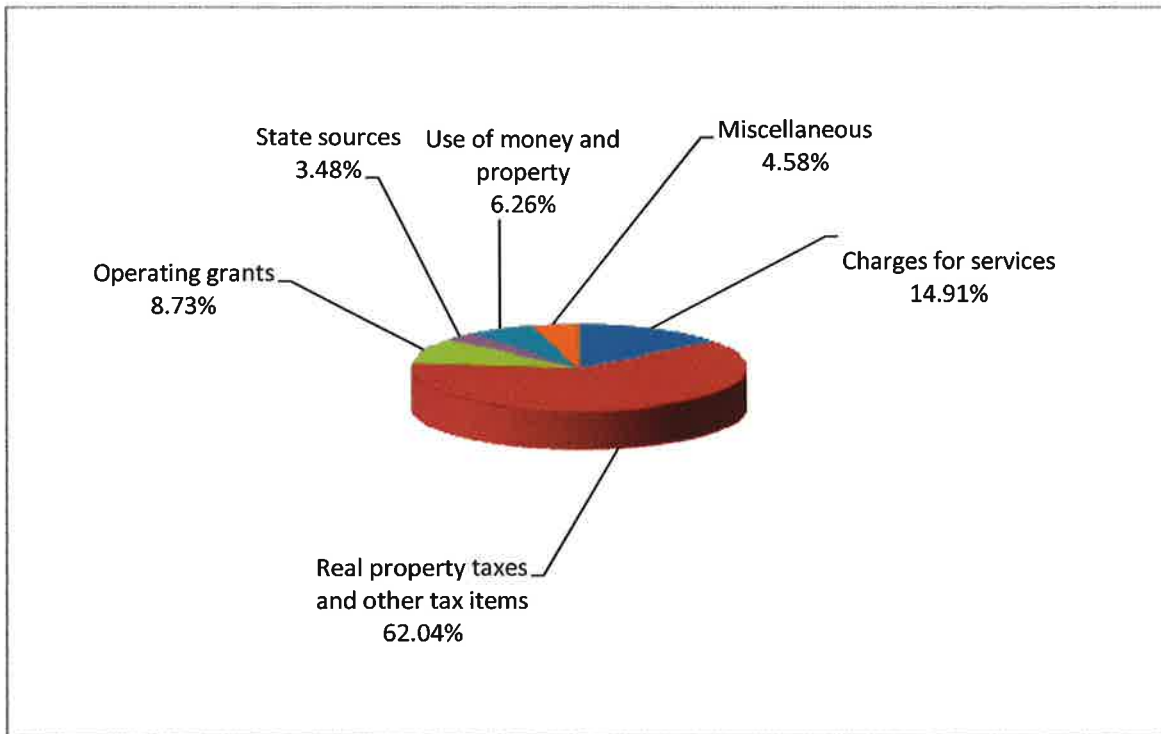
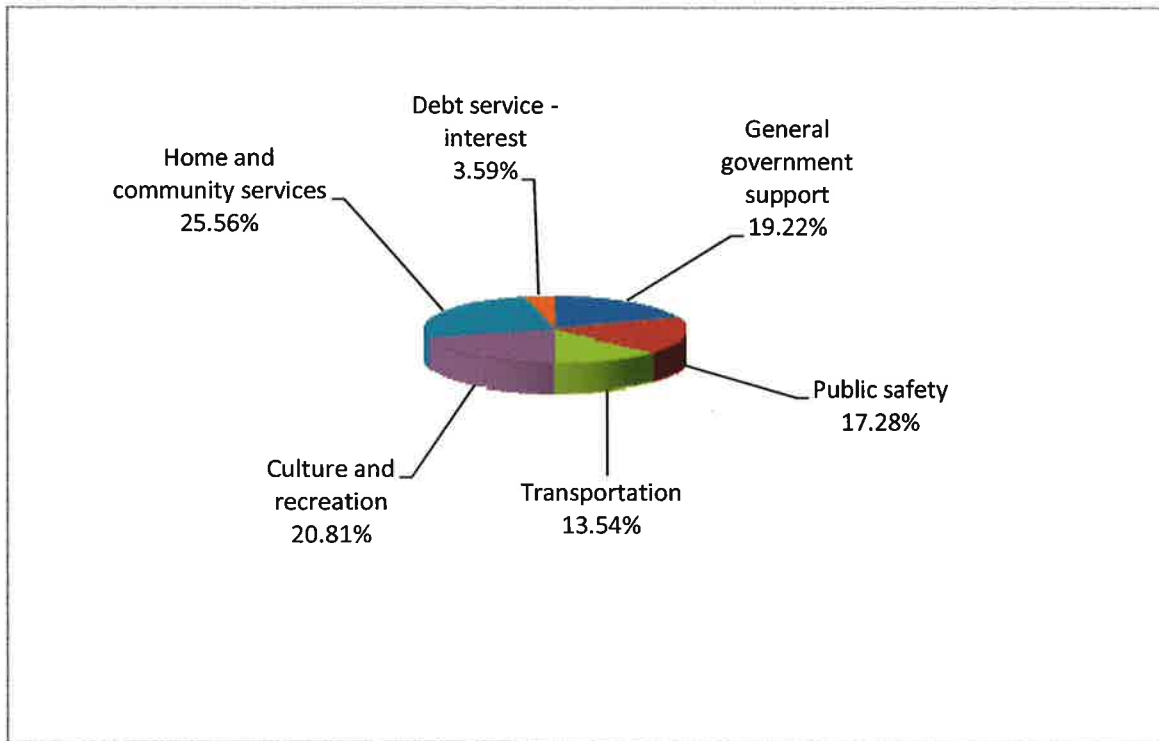
Table A-4: Sources of Revenues for Fiscal Year 2009

Table A-5: Expenses for Fiscal Year 2009



Governmental Activities

Revenues for the Village's governmental activities were consistent with the Village-wide operating results. Governmental expenditures exceed Village-wide expenditures due principally to payment of long-term debt and construction costs.

The primary program activities of the Village included:

- Water service
- Refuse disposal
- Street maintenance
- Street lighting
- Snow removal
- Recreational activities

Substantially all of the Village's revenues are generated through real property taxes and charges for services.

FINANCIAL ANALYSIS OF THE VILLAGE'S FUNDS

Variances between years for the governmental fund financial statements are not the same as variances between years for the Village-wide financial statements. The Village's governmental funds are presented on the current financial resources measurement focus and the modified accrual basis of accounting. Based on this presentation, governmental funds do not include long-term debt liabilities for the funds' projects and capital assets purchased by the funds. Governmental funds will include the proceeds received from the issuance of debt, the current payments for capital assets and the current payments for debt.

The Village's governmental fund financial statements show the following significant variations:

- Total assets remained relatively similar to fiscal 2008.
- Total liabilities increased from \$1,787,275 in 2008 to \$2,250,649 in 2009. The increase is primarily due to the issuance of a tax anticipation note.

No other significant variances are reflected in the governmental fund financial statements for fiscal 2009.

General Fund Budgetary Highlights

Reference is made to Supplemental Schedule 1 on page 33 which presents budget and actual results for the Village's governmental funds.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

By the end of 2009, the Village had invested \$12,750,479, net of depreciation, in a broad range of capital assets, including land, land improvements, buildings, furniture and equipment.

Table A-6: Capital Assets (net of depreciation)

<u>Category</u>	<u>5/31/08</u>	<u>5/31/09</u>	<u>% Change</u>
Land	\$ 5,713,291	\$ 5,713,291	-
Land improvements	75,084	1,226,317	1533.3
Buildings and building improvements	5,218,635	5,223,258	0.1
Furniture and equipment	<u>522,140</u>	<u>587,613</u>	12.5
Totals	<u>\$ 11,529,150</u>	<u>\$ 12,750,479</u>	10.6

Long-Term Debt

At year-end, the Village had \$5,617,898 in general obligation bonds and other long-term debt. During the year, the Village paid down its debt by retiring \$290,000 of outstanding bonds.

The Village's net bonded indebtedness may not exceed ten percent of the full valuation of the taxable real estate of the Village. The Village's net bonded indebtedness currently represents approximately 19% of the Village's debt limit.

Table A-7: Outstanding Long-Term Debt

<u>Category</u>	<u>5/31/08</u>	<u>5/31/09</u>	<u>% Change</u>
General obligation bonds	\$ 5,580,000	\$ 5,290,000	(5.2)
Installment purchase debt payable	39,202	24,589	(37.3)
Judgment and claims payable	5,000	39,100	682.0
Compensated absences	171,935	190,183	10.6
Unfunded accrued pension liability	111,034	39,473	(64.4)
Accrued interest payable	<u>72,367</u>	<u>34,553</u>	(52.3)
Totals	<u>\$ 5,979,538</u>	<u>\$ 5,617,898</u>	(6.0)

FACTORS BEARING ON THE FUTURE OF THE VILLAGE

The future success of the Village and its programs are generally dependent on the ability to collect real property taxes.

CONTACTING THE VILLAGE'S FINANCIAL MANAGEMENT

This financial report is designed to provide the Village's citizens, taxpayers, customers and creditors with a general overview of the Village's finances and to demonstrate the Village's accountability for the money it receives. If you have any questions about this report or need additional financial information, please contact:

Incorporated Village of Bayville
Village Hall
34 School Street
Bayville, New York 11709
(516) 628-1439

INCORPORATED VILLAGE OF BAYVILLE
STATEMENT OF NET ASSETS
MAY 31, 2009

ASSETS

Current assets:	
Cash	\$ 1,123,041
Receivables:	
Tax sale certificates	41,961
Water rents receivable	56,420
Current taxes receivable	80,256
State aid receivable	578,844
Accounts receivable	18,100
Due from other governments	32,565
Prepaid expenses	47,529
Total current assets	1,978,716
Noncurrent assets:	
Capital assets, net of accumulated depreciation of \$6,361,921	12,750,479
Total assets	<u>\$ 14,729,195</u>

LIABILITIES

Current liabilities:	
Payables:	
Accounts payable and accrued liabilities	\$ 118,088
Accrued interest payable	34,553
Due to other governments	33,334
Notes payable:	
Tax anticipation	750,000
Bond anticipation	250,000
Deferred revenue	469,246
Unfunded accrued pension liability	39,473
Long-term liabilities, due within one year:	
Bonds payable	300,000
Installment purchase debt payable	9,551
Judgment and claims payable	39,100
Total current liabilities	<u>2,043,345</u>
Noncurrent liabilities:	
Long-term liabilities, due after one year:	
Bonds payable	4,990,000
Installment purchase debt payable	15,038
Compensated absences	190,183
Total noncurrent liabilities	<u>5,195,221</u>
Total liabilities	<u>7,238,566</u>

NET ASSETS

Investment in capital assets	7,185,890
Restricted for:	
Capital	204,649
Unrestricted	100,090
Total net assets	<u>7,490,629</u>
Total liabilities and net assets	<u>\$ 14,729,195</u>

The accompanying notes are an integral
part of this statement.

INCORPORATED VILLAGE OF BAYVILLE
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED MAY 31, 2009

	Expenses	Charges For Services	Operating Grants	Net (Expense) Revenue and Changes in Net Assets
Functions and programs:				
General government support	\$ 966,760	\$ -	\$ -	\$ (966,760)
Public safety	868,933	-	-	(868,933)
Transportation	680,827	-	-	(680,827)
Culture and recreation	1,046,534	202,202	-	(844,332)
Home and community services	1,285,097	727,277	544,402	(13,418)
Debt service - interest	180,621	-	-	(180,621)
Total functions and programs	\$ 5,028,772	\$ 929,479	\$ 544,402	(3,554,891)
General revenues:				
Real property taxes				3,609,737
Other tax items				258,238
Use of money and property				390,219
Licenses and permits				59,877
Fines and forfeitures				42,115
Sale of property and compensation for loss				11,770
Miscellaneous				171,895
State sources				216,833
Total general revenues				4,760,684
Change in net assets				1,205,793
Total net assets, beginning of year				6,284,836
Total net assets, end of year				\$ 7,490,629

The accompanying notes are an integral
part of this statement.

INCORPORATED VILLAGE OF BAYVILLE
BALANCE SHEET - GOVERNMENTAL FUNDS
MAY 31, 2009

	Special Revenue				Total Governmental Funds
	General	Water	Recreation	Special Grant	
ASSETS					
Cash	\$ 275,840	\$ 11,058	\$ 18,038	\$ 5,679	\$ 1,123,041
Tax sale certificates	41,961	-	-	-	41,961
Water rents receivable	-	56,420	-	-	56,420
Current taxes receivable	80,256	-	-	-	80,256
State aid receivable	-	-	-	-	578,844
Accounts receivable	-	-	18,100	-	18,100
Due from other funds	478,411	3,415	50,600	-	629,982
Due from other governments	32,565	-	-	-	32,565
Prepaid expenses	43,760	3,769	-	-	47,529
Total assets	\$ 952,793	\$ 74,662	\$ 86,738	\$ 5,679	\$ 2,608,698
LIABILITIES					
Accounts payable and accrued liabilities	\$ 52,255	\$ 6,771	\$ 2,755	\$ -	\$ 118,088
Tax anticipation note payable	750,000	-	-	-	750,000
Bond anticipation note payable	-	-	-	-	250,000
Due to other funds	18,830	44,176	74,477	-	492,499
Due to other governments	3,900	-	-	5,679	33,334
Deferred revenue	7,630	-	-	-	469,246
Total liabilities	832,615	50,947	77,232	5,679	2,250,650
FUND EQUITY					
Reserve for encumbrances	34,340	1,660	400	-	420,813
Unreserved:					
Designated for subsequent year's expenditures	-	-	9,106	-	9,106
Unappropriated	85,838	22,055	-	-	(71,871)
Total fund equity	120,178	23,715	9,506	-	358,048
Total liabilities and fund equity	\$ 952,793	\$ 74,662	\$ 86,738	\$ 5,679	\$ 2,608,698

The accompanying notes are an integral part of this balance sheet.

INCORPORATED VILLAGE OF BAYVILLE
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
MAY 31, 2009

ASSETS						
Cash	\$	1,123,041	\$	-	\$	1,123,041
Tax sale certificates		41,961		-		41,961
Water rents receivable		56,420		-		56,420
Current taxes receivable		80,256		-		80,256
State aid receivable		578,844		-		578,844
Accounts receivable		18,100		-		18,100
Due from other funds		629,982		-	(629,982)	-
Due from other governments		32,565		-	-	32,565
Prepaid expenses		47,529		-	-	47,529
Capital assets, net		-		12,750,479	-	12,750,479
Total assets	\$	2,608,698	\$	12,750,479	\$	(629,982)
						14,729,195
LIABILITIES						
Accounts payable and accrued liabilities	\$	118,088	\$	-	\$	118,088
Tax anticipation note payable		750,000		-		750,000
Bond anticipation note payable		250,000		-		250,000
Accrued interest payable		-		34,553		34,553
Due to other funds		629,982		-	(629,982)	-
Due to other governments		33,334		-	-	33,334
Deferred revenue		469,246		-	-	469,246
Unfunded accrued pension liability		-		39,473		39,473
Bonds payable		-		5,290,000		5,290,000
Installment purchase debt payable		-		24,589		24,589
Judgment and claims payable		-		39,100		39,100
Compensated absences		-		190,183		190,183
Total liabilities		2,250,650		5,617,898		7,238,566
				(629,982)		-
FUND EQUITY/NET ASSETS						
Fund equity/net assets		358,048		7,132,581		7,490,629
Total liabilities and fund equity/net assets	\$	2,608,698	\$	12,750,479	\$	(629,982)
						14,729,195

The accompanying notes are an integral
part of this statement.

INCORPORATED VILLAGE OF BAYVILLE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND EQUITY
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED MAY 31, 2009

		Special Revenue				Total
	General	Water	Recreation	Special Grant	Capital Projects	Governmental Funds
REVENUES						
Real property taxes	\$ 3,609,737	\$ -	\$ -	\$ -	\$ -	\$ 3,609,737
Other tax items	34,192	-	-	-	-	34,192
Non-property tax items	224,046	-	-	-	-	224,046
Departmental income	57,416	669,861	202,202	-	-	929,479
Use of money and property	377,509	114	152	-	12,444	390,219
Licenses and permits	59,877	-	-	-	-	59,877
Fines and forfeitures	42,115	-	-	-	-	42,115
Sales of property and compensation for loss	11,770	-	-	-	-	11,770
Miscellaneous	171,895	-	-	-	-	171,895
State sources	216,833	-	-	-	518,856	735,689
Federal sources	-	-	-	25,546	-	25,546
Total revenues	4,805,390	669,975	202,354	25,546	531,300	6,234,565
EXPENDITURES						
General government support	1,177,523	17,043	-	-	-	1,194,566
Public safety	771,905	-	-	-	262,906	1,034,811
Transportation	471,877	-	-	-	-	471,877
Culture and recreation	745,804	-	187,219	-	119,666	1,052,689
Home and community services	636,994	443,394	-	25,546	537,662	1,643,596
Employee benefits	594,147	81,969	-	-	-	676,116
Debt service -						
Principal	214,251	66,920	38,480	-	-	319,651
Interest	133,513	53,918	31,004	-	-	218,435
Total expenditures	4,746,014	663,244	256,703	25,546	920,234	6,611,741
Excess (deficiency) of revenues over (under) expenditures	59,376	6,731	(54,349)	-	(388,934)	(377,176)
OTHER FINANCING SOURCES (USES)						
Proceeds from borrowings	-	-	-	-	110,000	110,000
Payment of BAN principal	(110,000)	-	-	-	-	(110,000)
Interfund transfers in	-	-	10,000	-	8,453	18,453
Interfund transfers out	(18,453)	-	-	-	-	(18,453)
Total other financing sources (uses)	(128,453)	-	10,000	-	118,453	-
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	(69,077)	6,731	(44,349)	-	(270,481)	(377,176)
Fund equity, beginning of year	189,255	16,984	53,855	-	475,130	735,224
Fund equity, end of year	\$ 120,178	\$ 23,715	\$ 9,506	\$ -	\$ 204,649	\$ 358,048

The accompanying notes are an integral
part of this statement.

INCORPORATED VILLAGE OF BAYVILLE
RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND EQUITY TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MAY 31, 2009

	Total Governmental Funds	Long-term Revenues, Expenses	Capital Related Items	Long-term Debt Transactions	Reclassifications and Eliminations	Statement of Activities Totals
REVENUES						
Real property taxes	\$ 3,609,737	\$ -	\$ -	\$ -	\$ -	\$ 3,609,737
Other tax items	34,192	-	-	-	-	34,192
Non-property tax items	224,046	-	-	-	-	224,046
Departmental income	929,479	-	-	-	(929,479)	-
Use of money and property	390,219	-	-	-	-	390,219
Licenses and permits	59,877	-	-	-	-	59,877
Fines and forfeitures	42,115	-	-	-	-	42,115
Sales of property and compensation for loss	11,770	-	-	-	-	11,770
Miscellaneous	171,895	-	-	-	-	171,895
State sources	735,689	-	-	-	(518,856)	216,833
Federal sources	25,546	-	-	-	(25,546)	-
Charges for services	-	-	-	-	-	929,479
Operating grants	-	-	-	-	544,402	544,402
Total revenues	6,234,565	-	-	-	-	6,234,565
EXPENDITURES						
General government support	1,194,566	-	(584,018)	34,100	322,112	966,760
Public safety	1,034,811	-	(262,906)	-	97,028	868,933
Transportation	471,877	-	(78,100)	-	287,050	680,827
Culture and recreation	1,052,689	-	(119,666)	-	113,511	1,046,534
Home and community services	1,943,596	-	(537,862)	-	179,163	1,285,097
Employee benefits	676,116	-	-	(53,313)	(622,803)	-
Depreciation	-	-	376,061	-	(376,061)	-
Debt service - Principal	319,651	-	-	(319,651)	-	-
Interest	218,435	-	-	(37,814)	-	180,621
Total expenditures	6,611,741	-	(1,206,291)	(376,678)	-	5,028,772
Excess (deficiency) of revenues over (under) expenditures	(377,176)	-	1,206,291	376,678	-	1,205,793
OTHER FINANCING SOURCES (USES)						
Issuance of debt for capital assets	-	-	15,038	(15,038)	-	-
Proceeds from borrowings	110,000	-	-	(110,000)	-	-
Payment of BAN principal	(110,000)	-	-	110,000	-	-
Interfund transfers in	18,453	-	-	-	(18,453)	-
Interfund transfers out	(18,453)	-	-	-	18,453	-
Total other financing sources (uses)	-	-	15,038	(15,038)	-	-
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	(377,176)	-	1,221,329	361,640	-	1,205,793
Fund equity, beginning of year	735,224	-	11,529,150	(5,979,538)	-	6,284,836
Fund equity, end of year	\$ 358,048	\$ -	\$ 12,750,479	\$ (5,617,898)	\$ -	\$ 7,490,629

The accompanying notes are an integral
part of this statement.

INCORPORATED VILLAGE OF BAYVILLE
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
MAY 31, 2009

	<u>Expendable Trusts</u>	<u>Agency Funds</u>
ASSETS		
Cash	<u>\$ 6,398</u>	<u>\$ 47,945</u>
Total assets	<u><u>\$ 6,398</u></u>	<u><u>\$ 47,945</u></u>
LIABILITIES		
Accounts payable and accrued liabilities	\$ -	\$ 525
Agency liabilities	<u>-</u>	<u>47,420</u>
Total liabilities	<u>-</u>	<u><u>\$ 47,945</u></u>
NET ASSETS		
Reserved for:		
Expendable trusts	<u>6,398</u>	
Total net assets	<u><u>6,398</u></u>	
Total liabilities and net assets	<u><u>\$ 6,398</u></u>	

The accompanying notes are an integral
part of this statement.

INCORPORATED VILLAGE OF BAYVILLE
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED MAY 31, 2009

	<u>Expendable Trusts</u>
ADDITIONS	
Gifts and donations	<u>\$ 8,394</u>
Total additions	<u>8,394</u>
DEDUCTIONS	
Home and community services	<u>17,726</u>
Total deductions	<u>17,726</u>
Change in net assets	(9,332)
Net assets, beginning of year	<u>15,730</u>
Net assets, end of year	<u><u>\$ 6,398</u></u>

The accompanying notes are an integral
part of this statement.

INCORPORATED VILLAGE OF BAYVILLE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MAY 31, 2009

(1) Summary of certain significant accounting policies

The fund financial statements of the Incorporated Village of Bayville (the "Village") have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the Village's accounting policies are described below.

A. Financial reporting entity

The Village of Bayville, which was incorporated in 1919, is governed by its Charter, the General Municipal Law, Village Law, other general laws of the State of New York and various local laws. The Board of Trustees is the legislative body responsible for overall operations; the Mayor serves as chief executive officer and the Village Administrator serves as chief fiscal officer.

The Village provides water service, refuse disposal, street maintenance and lighting, snow removal and recreational activities for its residents.

All governmental activities and functions performed for the Incorporated Village of Bayville are its direct responsibility. No other governmental organizations have been included or excluded from the reporting entity.

The financial reporting entity consists of (a) the primary government which is the Incorporated Village of Bayville, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete as set forth in GASB Statement 14, The Financial Reporting Entity.

B. Basis of presentation

1. Village-wide statements

The Statement of Net Assets and the Statement of Activities present financial information about the Village's governmental activities. These statements include the financial activities of the overall government in its entirety, except those that are fiduciary. Eliminations have been made to minimize the double counting of internal transactions. Governmental activities generally are financed through taxes, State aid, intergovernmental revenues, and other exchange and nonexchange transactions. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The Statement of Activities presents a comparison between program expenses and revenues for each function of the Village's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Indirect expenses, principally employee benefits, are allocated to functional areas in proportion to the payroll expended for those areas. Program revenues include charges paid by the recipients of goods or services offered by the programs, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

2. Fund statements

The fund statements provide information about the Village's funds, including fiduciary funds. Separate statements for each fund category (governmental and fiduciary) are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column.

The Village records its transactions in the fund types described below.

Fund categories

- a. Governmental funds - Governmental funds are those through which most governmental functions are financed. The acquisition, use and balances of expendable financial resources and the related liabilities are accounted for through governmental funds. The measurement focus of the governmental funds is upon the determination of financial position and changes in financial position (the sources, uses and balances of current financial resources). The following are the Village's governmental fund types:

General Fund - the principal operating fund which includes all operations not required to be recorded in other funds.

Special Revenue Funds - used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The following Special Revenue Funds are utilized:

- i. Water - used to account for revenues derived from the operation of a water supply system.
- ii. Recreation - used to account for the expenditure of all fees received specifically to maintain the recreational facilities of the Village.
- iii. Special Grant - used to account for funds received as Community Development Block Grants pursuant to the Community Development Act of 1974, Public Law 93-383.

Capital Projects Fund - used to account for financial resources to be used for the acquisition or construction of major capital facilities.

- b. Fiduciary Funds - used to account for assets held by the local government in a trustee or custodial capacity:

Agency Funds - used to account for money (and/or property) received and held in the capacity of trustee, custodian or agent.

Private-Purpose Trust Funds - accounts for all other trust arrangements under which principal and income benefit individuals, private organizations or other governments.

C. Basis of accounting/Measurement focus

The Village-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Nonexchange transactions, in which the Village gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The Village considers all revenues reported in the governmental funds to be available if the revenues are collected within a reasonable period of time after the end of the fiscal year, except for real property taxes, which are considered to be available if they are collected within 60 days after the end of the fiscal year.

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

D. Property taxes

Real property taxes are levied annually no later than June 1, and become a lien on July 2. Taxes are collected during the period from June 1 to the fourth Tuesday of July of the subsequent year.

In accordance with Real Property Tax Law, Section 1454, all unpaid taxes on the fourth Tuesday of July of the subsequent year, are enforced by tax sale. In all cases where no bid is made on a parcel of land offered for sale for an amount sufficient to pay tax, interest and charges, the premises are deemed to have been sold to and purchased by the Village.

E. Budgetary data

1. Budget policies

- a. No later than March 31, the Village Administrator submits a tentative budget to the Board of Trustees for the fiscal year commencing the following June 1. The tentative budget includes proposed expenditures and the proposed means of financing for all funds.

b. After public hearings are conducted to obtain taxpayer comments, no later than May 1, the Board of Trustees adopts the budget.

c. All modifications of the budget must be approved by the Board of Trustees.

2. Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded for budgetary control purposes to reserve that portion of the applicable appropriations, is employed in the governmental funds. Encumbrances are reported as reservations of fund balances since they do not constitute expenditures or liabilities. Expenditures for such commitments are recorded in the period in which the liability is incurred.

3. Budget basis of accounting

Budgets are adopted annually on a basis consistent with accounting principles generally accepted in the United States of America. Appropriations authorized for the current year are increased by the amount of encumbrances carried forward from the prior year.

F. Investments

Investments are stated at cost, which approximates market.

G. Insurance

The Village assumes the liability for most risk including, but not limited to, property damage and personal injury liability. Judgments and claims are recorded when it is probable that an asset has been impaired or a liability has been incurred and the amount of loss can be reasonably estimated.

H. Compensated absences

Employees accrue vacation leave based primarily on the number of years employed up to a maximum rate of 30 days a year. Upon separation from service, employees are paid up to 30 days.

Employees accrue sick leave at the rate of 8 days per year and may accumulate such credits up to a total of 64 days. Employees who terminate with at least 10 years of service are paid up to 32 days, at one-half their final pay rate.

Vested vacation and sick leave is recorded in governmental funds as a fund liability and expenditures, if payable from current resources. The liability for compensated absences increased by \$18,248 during the year to \$190,183.

I. Post employment benefits

In addition to providing pension benefits, the Village provides health insurance coverage and survivor benefits for retired employees and their survivors. Substantially all of the Village's employees may become eligible for these benefits if they reach normal retirement age while working for the Village. Health care benefits and survivors benefits are provided through an insurance company whose premiums are based on the benefits paid during the year. The Village recognizes

the cost of providing benefits by recording its share of insurance premiums as expenditures in the year paid. During the year ended May 31, 2009, \$54,104 was paid on behalf of seven retirees and recorded as an expenditure in the General Fund.

J. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates and assumptions are made in a variety of areas, including computation of encumbrances, compensated absences, potential contingent liabilities and useful lives of long-lived assets.

K. Equity classifications

Village-wide statements

In the Village-wide statements there are three classes of net assets:

Invested in capital assets, net of related debt: Consists of net capital assets (cost less accumulated depreciation) reduced by outstanding balances of related debt obligations from the acquisition, construction or improvement of those assets.

Restricted net assets: Reports net assets when constraints placed on the assets are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets: Reports all other net assets that do not meet the definition of the above two classifications and are deemed to be available for general use by the Village.

Funds statements

Unreserved fund balance consists of two classifications. A designation of unreserved fund balance indicates the planned use of these resources in the subsequent year's budget. The undesignated portion reports remaining fund balance that has not been designated or reserved.

Fund balance reserves are created to satisfy legal restrictions, plan for future expenditures or relate to resources not available for general use or appropriation. These reserve funds are available to villages within the State of New York and are established through Board action or voter approval. A separate identity must be maintained for each reserve. Earnings on the invested resources become part of the respective reserve funds, however, separate bank accounts are not necessary for each reserve fund. Fund balance reserves currently in use by the Village include the following:

Reserve for Encumbrances

Reserve for Encumbrances represents the amount of outstanding encumbrances at the end of the fiscal year.

(2) Explanation of certain differences between governmental funds and Village-wide statements

Due to the differences in the measurement focus and basis of accounting used in the funds statements and the Village-wide statements, certain financial transactions are treated differently. The basic financial statements contain a full reconciliation of these items. The differences result primarily from the economic focus of the Statement of Activities, compared with the current financial resources focus of the governmental funds.

A. Total fund balances of governmental funds vs. net assets of governmental activities

Total fund balances of the Village's governmental funds differ from "net assets" of governmental activities reported in the Statement of Net Assets. This difference primarily results from the additional long-term economic focus of the Statement of Net Assets versus the solely current financial resources focus of the governmental funds Balance Sheet.

B. Statement of Revenues, Expenditures and Changes in Fund Equity vs. Statement of Activities

Differences between the governmental funds Statement of Revenues, Expenditures and Changes in Fund Equity and the Statement of Activities fall into one of four broad categories. The categories are shown below:

1. Long-term revenue/expense differences

Long-term revenue differences arise because governmental funds report revenues only when they are considered "available", whereas the Statement of Activities reports revenues when earned. Differences in long-term expenses arise because governmental funds report on a modified accrual basis, whereas the accrual basis of accounting is used on the Statement of Activities.

2. Capital related differences

Capital related differences include the difference between proceeds from the sale of capital assets reported on governmental fund statements and the gain or loss on the sale of assets as reported on the Statement of Activities, and the difference between recording an expenditure for the purchase of capital items in the governmental fund statements and depreciation expense on those items as recorded in the Statement of Activities.

3. Long-term debt transaction differences

Long-term debt transaction differences occur because both interest and principal payments are recorded as expenditures in the governmental fund statements, whereas interest payments are recorded in the Statement of Activities as incurred, and principal payments are recorded as a reduction of liabilities in the Statement of Net Assets.

4. Reclassifications and eliminations

Reclassifications and eliminations arise because the Statement of Activities reports program revenues (either charges for services or operating grants) net of their direct expenses. All other revenues are categorized as general revenues. Certain expenses have been reclassified so that all identifiable program expenses are accounted for within their proper program, such as the allocation of employee benefits and depreciation expense. Governmental funds account for all revenues and expenses based on their function.

(3) Detail notes on all funds

A. Assets

1. Cash and investments

The Village's investment policies are governed by State statutes. In addition, the Village has its own written investment policy. Village monies must be deposited in FDIC-insured commercial banks or trust companies located within the state. The Village Administration is authorized to use demand accounts and certificates of deposit. Permissible investments include obligations of the U.S. Treasury and U.S. agencies, repurchase agreements, and obligations of New York State or its localities.

Collateral is required for demand deposits and certificates of deposit at 105 percent of all deposits not covered by federal deposit insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its municipalities and villages.

The written investment policy requires repurchase agreements to be purchased from banks located within the State and that underlying securities must be obligations of the federal government. Underlying securities must have a market value of at least 105 percent of the cost of the repurchase agreement.

For purposes of reporting cash flow, cash equivalents are defined as short-term, highly liquid investments that are both readily convertible to known amounts of cash and near their maturity.

Deposits at year-end were entirely covered by federal depository insurance or by collateral held by the Village's custodial banks in the Village's name. All deposits, including certificates of deposit, are carried at cost plus accrued interest. They consisted of:

<u>Fund</u>	<u>Bank Balance</u>	<u>Carrying Amount</u>	
General	\$ 449,043	\$ 275,840	Insured (FDIC) and collateral held by Village's custodial bank.
Special Revenue	47,908	34,775	Insured (FDIC) and collateral held by Village's custodial bank.
Capital Projects	855,808	812,426	Insured (FDIC) and collateral held by Village's custodial bank.
Trust & Agency	<u>65,916</u>	<u>54,343</u>	Insured (FDIC) and collateral held by Village's custodial bank.
	<u>\$ 1,418,675</u>	<u>\$ 1,177,384</u>	

2. Property taxes

At May 31, 2009, total real property tax assets were \$122,217, of which \$80,256 represents overdue taxes and \$41,961 represents tax sale certificates issued by the Village.

3. Changes in capital assets

A summary of changes in capital fixed assets follows:

	<u>Balance June 1, 2008</u>	<u>Additions</u>	<u>Retirements/ Reclassifications</u>	<u>Balance May 31, 2009</u>
Capital assets that are not depreciated:				
Land	\$ 5,713,291	\$ -	\$ -	\$ 5,713,291
Total nondepreciable historical cost	<u>5,713,291</u>	<u>-</u>	<u>-</u>	<u>5,713,291</u>
Capital assets that are depreciated:				
Land improvements	605,760	1,219,728	-	1,825,488
Buildings and building improvements	9,974,128	181,604	-	10,155,732
Furniture and equipment	<u>1,248,731</u>	<u>196,058</u>	<u>(26,900)</u>	<u>1,417,889</u>
Total depreciable historical cost	<u>11,828,619</u>	<u>1,597,390</u>	<u>(26,900)</u>	<u>13,399,109</u>
Less accumulated depreciation:				
Land improvements	530,676	68,495	-	599,171
Buildings and building improvements	4,755,493	176,981	-	4,932,474
Furniture and equipment	<u>726,591</u>	<u>130,585</u>	<u>(26,900)</u>	<u>830,276</u>
Total accumulated depreciation	<u>6,012,760</u>	<u>376,061</u>	<u>(26,900)</u>	<u>6,361,921</u>
Total historical cost, net	<u>\$ 11,529,150</u>	<u>\$ 1,221,329</u>	<u>\$ -</u>	<u>\$ 12,750,479</u>

Depreciation expense was charged to governmental functions as follows:

General government support	\$ 121,272
Public safety	36,530
Transportation	108,071
Culture and recreation	42,736
Home and community services	<u>67,452</u>
	<u>\$ 376,061</u>

B. Liabilities

1. Pension plans

New York State and Local Employees' Retirement System (ERS) and the Public Employees' Group Life Insurance Plan (Systems)

The Incorporated Village of Bayville participates in the New York State and Local Employees' Retirement System (ERS) and the Public Employees' Group Life Insurance Plan (Systems). These are cost-sharing multiple-employer retirement systems. The Systems provide retirement benefits as well as death and disability benefits. Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law (NYSRSSL). As set forth in the NYSRSSL, the Comptroller of the State of New York (Comptroller) serves as sole trustee and administrative head of the Systems. The Comptroller shall adopt and may amend rules and regulations for the administration and transaction of the business of the Systems and for the custody and control of their funds. The Systems issue a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the New York State and Local Retirement Systems, 110 State Street, Albany, NY 12244.

The Systems are noncontributory except for employees who joined ERS after July 27, 1976 who contribute 3% of their salary for the first ten years of membership. Under the authority of the NYSRSSL, the Comptroller annually certifies the rates used in computing the employers' contributions. The required contributions for the current year and two preceding years were:

2009	\$ 97,075
2008	109,425
2007	147,869

Chapter 49 of the Laws of 2003 of the State of New York was enacted which made the following changes to the Systems:

- a. Requires minimum contributions by employers of 4.5% of payroll every year, including years in which the investment performance would make a lower contribution possible.
- b. Changes the cycle of annual billing such that the contribution for a given fiscal year will be based on the value of the pension fund on the prior April 1st (i.e. billings due February 2009 would be based on the pension value as of March 31, 2008).

Chapter 260 of the Laws of 2004 of the State New York was enacted which allows local employers to bond or amortize a portion of their retirement bill for up to 10 years in accordance with the following schedule:

- a. For State fiscal year ("SFY") 2004-2005, the amount in excess of 7 percent of the employees' covered pensionable salaries, with the first payment of those pension costs not due until the fiscal year succeeding that fiscal year in which the bonding/amortization was instituted.
- b. For SFY 2005-06, the amount in excess of 9.5 percent of the employees' covered pensionable salaries.
- c. For SFY 2006-07, the amount in excess of 10.5 percent of the employees' covered pensionable salaries.

This law requires participating employers to make payments on a current basis, while bonding or amortizing existing unpaid amounts relating to the System's fiscal years ending March 31, 2005 through 2007.

Length of Service Awards Program ("LOSAP or program")

The Village's financial statements are presented for the year ended May 31, 2009. However, the information contained in this note is based on information for the Length of Service Awards Program for the plan year ending on June 30, 2008, which is the most recent plan year for which complete information is available.

The Village established a defined benefit LOSAP for the active volunteer firefighters of the Bayville Fire Company #1, Inc. The program took effect on July 1, 1994. The program was established pursuant to Article 11A of the General Municipal Law. The program provides municipally-funded pension-like benefits to facilitate the recruitment and retention of active volunteer firefighters. The Village is the Sponsor of the program.

Program description:

Participation, vesting and service credit -

Active volunteer firefighters who have reached the age of 18 and who have completed 1 year of firefighting service are eligible to participate in the program. Participants acquire a nonforfeitable right to a service award after being credited with 5 years of firefighting service or upon attaining the program's entitlement age. The program's entitlement age is 65. In general, an active volunteer firefighter is credited with a year of firefighting service for each calendar year after the establishment of the program in which he or she accumulates fifty points. Points are granted for the performance of certain activities in accordance with a system established by the sponsor on the basis of a statutory list of activities and point values. A participant may also receive credit for 5 years of firefighting service rendered prior to the establishment of the program.

Benefits -

A participant's benefit under the program is the actuarial equivalent of a monthly payment for life equal to \$20 multiplied by the person's total number of years of firefighting service. The number of years of firefighting service used to compute the benefit cannot exceed thirty. Except in the case of disability or death, benefits are payable when a participant reaches entitlement age. The program provides statutorily mandated death and disability benefits.

Fiduciary investment and control -

Service credit is determined by the governing board of the sponsor, based on information certified to the governing board by each fire company having members who participate in the program. Each fire company must maintain all required records on forms prescribed by the governing board.

The governing board of the sponsor has retained and designated VFIS to assist in the administration of the program. The designated program administrator's functions include Installation Assistance including: Specimen Adoption Agreement; Specimen Master Plan; Insurance Applications; Participant Enrollment Forms; Explanation of Benefits; Benefit Certificates and Administrative Assistance: Reminder letter to sponsor with Census for current anniversary date provided annually; Participant's benefit calculation at the time of termination or retirement for verification by the Plan Sponsor; Member Census and Premium Analysis Report provided annually; Valuation and recommended deposit provided annually; Summary of required contribution; Actuarial review; and Recommended Program enhancement as appropriate. Disbursements of program assets for the payment of benefits or administrative expenses must be approved. The following is an explanation of the process for approving disbursements:

Payment of benefits -

Entitlement benefits - VFIS prepares and submits to the Sponsor a Verification of Benefits Statement and an Annuity Enrollment Form for participants active at entitlement age and for vested participants upon termination from the Program. Following review for accuracy, the Sponsor signs and returns the paperwork to VFIS authorizing VFIS to disburse entitlement benefits.

Death benefits - Upon notification from the Sponsor of a participant death, VFIS prepares a Verification of Benefits Statement and a Lump Sum Death Benefit Form. Following review for accuracy, the Sponsor signs and returns the paperwork accompanied by a death certificate to VFIS authorizing VFIS to disburse a death benefit.

Disability benefits - Upon notification from the Sponsor of a participant total and permanent disability, VFIS prepares a Verification of Benefits Statement, a Physician Statement Form, and a Lump Sum Disability Benefit Form. Following review for accuracy, the Sponsor signs and returns the paperwork authorizing VFIS to disburse a disability benefit.

Payment of administrative expenses -

Per the executed Service Fee Agreement, the Sponsor agrees to payment as contracted.

Program assets are required to be held in trust by LOSAP legislation, for the exclusive purpose of providing benefits to participants and their beneficiaries or for the purpose of defraying the reasonable expenses of the operation and administration of the program. Program assets are held in compliance with GML Article 11A 217(j).

Authority to invest program assets is vested in the Hartford Life Insurance Company. Subject to restrictions in the program document, program assets are invested in accordance with a statutory "prudent person" rule.

The Sponsor is required to retain an actuary to determine the amount of the Sponsor's contributions to the plan. The actuary retained by the Sponsor for this purpose is Gerald R. Shea, Pencert, Ltd. Portions of the following information are derived from a report prepared by the actuary dated January 13, 2009.

Program financial condition -

Actuarial present value of vested benefits	<u>\$ 662,454</u>
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Net assets available for benefit	<u>\$ 622,981</u>
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Prior service costs -

Prior service costs are being amortized over 20 years at a discount rate of 5.75%.

Receipts and disbursements -

Program net assets, beginning of year	\$ 500,650
---------------------------------------	------------

Changes during the year:

Plan contributions	\$ 168,139	
Investment income earned	29,057	
Cash value - surrendered life policies	1,728	
Plan benefit withdrawals	(60,463)	
Administrative fees	(1,288)	
Life insurance premium	<u>(14,842)</u>	<u>122,331</u>

Program net assets, end of year	<u>\$ 622,981</u>
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Contributions

Amount of sponsor's contribution recommended by actuary	<u>\$ 108,167</u>
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Amount of sponsor's actual contribution	<u>\$ 168,139</u>
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Funding methodology and actuarial assumptions:

Normal costs -

The actuarial valuation methodology used by the actuary to determine the sponsor's contribution is entry age normal frozen initial liability. The assumptions used by the actuary to determine the sponsor's contribution and the actuarial present value of benefits are:

Assumed rate of return on investment 5.75%

Mortality Tables used for:

Pre-retirement	U8400
Post-retirement	U8400
Death (Actives)	None

2. Short-term debt

Liabilities for bond anticipation notes (BANs) and tax anticipation notes (TANs) are generally accounted for in the General Fund and Capital Projects Fund. The notes or renewal thereof may not extend more than two years beyond the original date of issue unless a portion is redeemed within two years and within each 12 month period thereafter.

State law requires that BANs issued for capital purposes be converted to long-term obligations within five years after the original issue date. However, BANs issued for assessable improvement projects may be renewed for periods equivalent to the maximum life of the permanent financing, provided that stipulated annual reductions of principal are made.

Short-term liability balances and activity for the year are summarized below:

	<u>Beginning Balance</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Ending Balance</u>
BAN matured 10/22/08 at 3.55%	\$ 360,000	\$ -	\$ 360,000	\$ -
BAN matures 10/21/09 at 3.30%	-	250,000	-	250,000
TAN matures 07/22/09 at 2.00%	-	750,000	-	750,000
	<u>\$ 360,000</u>	<u>\$ 1,000,000</u>	<u>\$ 360,000</u>	<u>\$ 1,000,000</u>

3. Long-term debt

- a. Outstanding indebtedness aggregated \$5,314,589. Of this amount, \$4,771,852 was subject to the constitutional debt limit and represented approximately 19% of its debt limit.
- b. Serial bonds - The Village borrows money in order to acquire land or equipment or construct buildings and improvements. This enables the cost of these capital assets to be borne by the present and future taxpayers receiving the benefit of the capital assets. These long-term liabilities, which are full faith and credit debt of the local government, are recorded in the Schedule of Non-current Governmental Liabilities.

- c. Other long-term debt - In addition to the above long-term debt, the Village had the following non-current liabilities:

Installment purchase debt payable - represents the remaining installments due on the purchase of equipment.

Judgment and claims payable - represents the remaining monies due on judgments given on the Village.

Compensated absences - represents the value of earned and unused portion of the liability for compensated absences.

- d. Summary long-term liabilities - the following is a summary of changes in long-term liabilities:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Governmental activities:					
Bonds payable	\$5,580,000	\$ -	\$ 290,000	\$5,290,000	\$300,000
Installment purchase debt payable	39,202	15,038	29,651	24,589	9,551
Judgment and claims payable	5,000	34,100	-	39,100	39,100
Compensated absences	171,935	18,248	-	190,183	-
Total long-term liabilities	<u>\$5,796,137</u>	<u>\$ 67,386</u>	<u>\$ 319,651</u>	<u>\$ 5,543,872</u>	<u>\$348,651</u>

Additions and deletions to compensated absences are shown net since it is impractical to determine these amounts separately.

- e. Long-term debt maturity schedule - the following is a statement of serial bonds with corresponding maturity schedules:

<u>Description of Issue</u>	<u>Issue Date</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Outstanding at 5/31/09</u>
Serial Bonds	11/99	11/19	5.5%-5.625%	\$ 2,120,000
Serial Bonds	12/03	12/23	3.0% - 5.0%	<u>3,170,000</u>
				<u>\$ 5,290,000</u>

f. The following table summarizes the Village's future debt service requirements:

<u>Fiscal Year Ended May 31,</u>	<u>Serial Bonds Principal</u>	<u>Installment Purchase</u>	
		<u>Debt Principal</u>	<u>Interest</u>
2010	\$ 300,000	\$ 8,898	\$ 233,930
2011	315,000	5,904	220,441
2012	330,000	4,674	205,967
2013	345,000	4,361	191,137
2014	365,000	752	176,017
2015-19	2,110,000	-	610,876
2020-24	1,525,000	-	171,565

C. Interfund balances and activity

	<u>Interfund</u>		<u>Interfund</u>	
	<u>Receivable</u>	<u>Payable</u>	<u>Revenues</u>	<u>Expenditures</u>
General Fund	\$ 478,411	\$ 18,830	\$ -	\$ 18,453
Special Revenue Funds	54,015	118,653	10,000	-
Capital Projects Fund	97,556	492,499	8,453	-
Fiduciary Funds	-	-	-	-
Totals	<u>\$ 629,982</u>	<u>\$ 629,982</u>	<u>\$ 18,453</u>	<u>\$ 18,453</u>

D. Contingencies

Government grants

The Village receives grants which are subject to audit by agencies of the State and federal governments. Such audits may result in disallowances and a request for a return of funds to the State and federal governments. Based on past experience, the Village administration believes disallowances, if any, would be immaterial.

Litigation

On an ongoing basis, the Village is a party to litigation including tax certiorari proceedings. Such proceedings will occasionally result in settlements, whereby the Village will be required to rebate certain real property taxes. Such rebates are recognized in the accounting records, when realized. In the opinion of the Village administration, the ultimate resolution of current legal actions would have no material effect on the financial statements.

INCORPORATED VILLAGE OF BAYVILLE
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND EQUITY - BUDGET TO ACTUAL
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED MAY 31, 2009

	Special Revenue Funds									
	General Fund		Water		Variance-Favorable (Unfavorable)		Recreation		Variance-Favorable (Unfavorable)	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
Revenues and Other Sources										
Real property taxes	\$ 3,607,127	\$ 3,609,737	\$ 2,910	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other tax items	30,000	34,192	4,192	-	-	-	-	-	-	-
Non-property tax items	219,000	224,046	5,046	-	-	-	-	-	-	-
Departmental income	51,435	57,416	5,981	669,861	(6,835)	202,202	7,202	(848)	-	-
Use of money and property	374,955	377,509	2,554	114	(3,386)	1,000	152	-	-	-
Licenses and permits	44,800	59,877	15,077	-	-	-	-	-	-	-
Fines and forfeitures	30,000	42,115	12,115	-	-	-	-	-	-	-
Sales of property and compensation for loss	3,000	11,770	8,770	-	-	-	-	-	-	-
Miscellaneous	150,617	171,895	21,278	-	-	-	-	-	-	-
State sources	253,472	216,833	(36,639)	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-	-
Total revenues	4,764,406	4,805,390	40,984	669,975	(10,021)	196,000	202,354	6,354	145,787	25,546
Other sources:										
Appropriated fund balance	189,255	-	(189,255)	4,532	(4,532)	53,429	-	(53,429)	-	-
Interfund transfers	-	-	-	-	-	10,000	-	-	-	-
Total revenues and other sources	4,953,661	4,805,390	(148,271)	669,975	(14,553)	259,429	212,354	(47,075)	145,787	25,546
Expenditures and Other Uses										
General government support	1,212,235	1,177,523	34,712	17,043	-	-	-	-	-	-
Public safety	771,905	771,905	-	-	-	-	-	-	-	-
Transportation	472,377	471,877	500	-	-	-	-	-	-	-
Culture and recreation	749,372	745,804	3,568	-	-	189,945	187,219	2,726	-	-
Home and community services	652,323	636,994	15,329	443,394	20,476	-	-	-	-	-
Employee benefits	606,076	594,147	11,929	81,969	908	-	-	-	-	-
Debt service -										
Principal	214,251	214,251	-	66,920	-	38,480	38,480	-	-	-
Interest	146,669	133,513	13,156	53,918	-	31,004	31,004	-	-	-
Total expenditures	4,825,208	4,746,014	79,194	663,244	21,284	259,429	256,703	2,726	145,787	25,546
Other uses:										
Payment of BAN principal	110,000	110,000	-	-	-	-	-	-	-	-
Interfund transfers	18,453	18,453	-	-	-	-	-	-	-	-
Total expenditures and other uses	4,953,661	4,874,467	79,194	663,244	21,284	259,429	256,703	2,726	145,787	25,546
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	\$ -	\$ (69,077)	\$ (69,077)	\$ 6,731	\$ 6,731	\$ -	\$ (44,349)	\$ (44,349)	\$ -	\$ -
Fund equity, beginning of year	-	189,255	-	16,984	-	-	53,855	-	-	-
Fund equity, end of year	-	\$ 120,178	-	\$ 23,715	-	-	\$ 9,506	-	-	\$ -

The accompanying notes to financial statements should be read in conjunction with this schedule.

INCORPORATED VILLAGE OF BAYVILLE
SCHEDULE OF APPROPRIATIONS AND CUMULATIVE EXPENDITURES
CAPITAL PROJECTS FUND
MAY 31, 2009

<u>Project Title</u>	<u>Project Number</u>	<u>Appropriations</u>	<u>Cumulative Expenditures</u>	<u>Variance- Favorable (Unfavorable)</u>
Creek Beach dredge/ramp	03-3	\$ 1,088,677	\$ 1,088,677	\$ -
Valentines Beach	04-1	1,600,000	179,386	1,420,614
Presidents Street drainage	04-3	1,500,000	167,821	1,332,179
Water plants	04-4	1,173,000	1,084,754	88,246
WH Wetlands	04-10	350,000	50,195	299,805
WH Drive calming	05-2	500,000	314,672	185,328
Village Hall roof repair	06-1	193,145	181,604	11,541
Bayville Village street scape	07-2	329,784	47,287	282,497
Water quality #2	07-4	100,000	18,467	81,533
Street signs	07-5	78,100	78,100	-
Sand rake	08-1	38,000	37,433	567
Sanitation trucks	08-2	360,000	344,864	15,136
Perry Avenue multi model #4	08-4	131,051	131,051	-
Fuel pumps	09-1	21,000	10,842	10,158
Street scape	09-2	60,000	-	60,000
Catch basin	09-3	150,000	-	150,000
Creek marina electric	09-4	50,600	50,600	-
Copier	09-5	15,038	15,038	-
		<u>\$ 7,738,395</u>	<u>\$ 3,800,791</u>	<u>\$ 3,937,604</u>

The accompanying notes to financial statements
should be read in conjunction with this schedule.

INCORPORATED VILLAGE OF BAYVILLE
SCHEDULE OF NON-CURRENT GOVERNMENTAL LIABILITIES
FOR THE YEAR ENDED MAY 31, 2009

	<u>Date of Original Issue</u>	<u>Outstanding June 1, 2008</u>	<u>Interest Rate</u>	<u>Issued</u>	<u>Paid</u>	<u>Outstanding May 31, 2009</u>	<u>Interest Rate</u>	<u>Interest Paid 2008-2009</u>
Serial bonds:								
Public improvement	Nov-99	\$ 2,255,000	5.50-5.625	\$ -	\$ 135,000	\$ 2,120,000	5.50	\$ 12,087
Public improvement	Dec-03	3,325,000	3.00-5.00	-	155,000	3,170,000	4.00	124,885
		<u>\$ 5,580,000</u>		<u>\$ -</u>	<u>\$ 290,000</u>	<u>\$ 5,290,000</u>		<u>\$ 136,972</u>
Installment purchase debt:								
Computers	Sep-04	\$ 26,817	9.04	\$ -	\$ 19,808	\$ 7,009	9.04	\$ 1,456
Copier	Oct-05	6,521	11.79	-	6,521	-	11.79	372
Mailing system	Jun-07	5,864	15.14	-	1,066	4,798	15.10	658
Copier	Oct-08	-	26.00	15,038	2,256	12,782	26.00	576
		<u>\$ 39,202</u>		<u>\$ 15,038</u>	<u>\$ 29,651</u>	<u>\$ 24,589</u>		<u>\$ 3,062</u>
Bond anticipation notes:								
Vehicle and equipment	Oct-07	\$ 360,000	3.55	\$ -	\$ 360,000	\$ -	3.55	\$ 12,744
Vehicle and equipment	Oct-08	-	3.30	250,000	-	250,000	3.30	-
		<u>\$ 360,000</u>		<u>\$ 250,000</u>	<u>\$ 360,000</u>	<u>\$ 250,000</u>		<u>\$ 12,744</u>
Tax anticipation note	Jul-08	\$ -	2.00	\$ 750,000	\$ -	\$ 750,000	2.00	\$ -

The accompanying notes to financial statements
should be read in conjunction with this schedule.

INCORPORATED VILLAGE OF BAYVILLE
SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS
JUSTICE COURT
FOR THE YEAR ENDED MAY 31, 2009

	<u>Anthony Perri</u>	<u>David Wright</u>	<u>John Kennedy</u>
Balances, June 1, 2008	\$ -	\$ -	\$ -
Receipts:			
Vehicle violations, parking, fines and Village ordinances	23,680	75	8,810
New York State surcharge	<u>4,045</u>	<u>35</u>	<u>1,280</u>
Accountability	27,725	110	10,090
Disbursements	<u>27,630</u>	<u>110</u>	<u>10,090</u>
Balances, May 31, 2009	<u><u>\$ 95</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

The accompanying notes to financial statements
should be read in conjunction with this schedule.



Nawrocki Smith LLP
CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT
AUDITING STANDARDS**

**To the Board of Trustees of
the Incorporated Village of Bayville:**

We have audited the accompanying financial statements of the Incorporated Village of Bayville, (the "Village"), as of and for the year ended May 31, 2009, and have issued our report thereon dated September 4, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Village's financial statements that is more than inconsequential will not be prevented or detected by the Village's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Village's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Nawrocki Smith LLP

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of the Board of Trustees, the administration, others within the Village, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Melville, New York
September 4, 2009

Nawrocki Smith LLP